DEPARTMENT OF COMMERCE

SES PERFORMANCE MANAGEMENT STUDY

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CHAPTER ONE
INTRODUCTION, TASKS AND METHODOLOGY

I. INTRODUCTION

The Government Performance and Results Act (GPRA) was signed into law on August 3, 1993. GPRA requires that a number of actions be taken within specific time frames by federal agencies. They are required to develop:

- **Strategic Plans** covering at least 5 years and updated every three years
  (The first plans were due to Congress and OMB by September 30, 1997)
- **Performance Plans** covering each program activity set forth in the agency budget
  (These are annual plans, the first of which was due to Congress with the FY1999 budget request.)
- **Program Performance Reports** describing program performance
  (The first of these reports is due March 31, 2000 and no later than March 31 of each year thereafter.)

Numerous Congressional, Government Accounting Office (GAO), and Office of Management and Budget (OMB) reports and testimony have been presented assessing agency progress with respect to developing Strategic and Performance Plans satisfying GPRA requirements and intent. The Congressional and GAO findings generally have been critical of government progress.

These reports and other events led the Department of Commerce (DOC) to revise its Performance Plan. The Secretary then set out to improve the linkages between Senior Executive Service (SES) individual performance plans and DOC and Bureau Strategic/Performance Plan objectives. He asked DOC's Director of Human Resources to develop a program to ensure alignment of SES performance with the DOC Strategic Plan. The goals of the new SES performance program are:

- Strong, precise linkage between DOC/Bureau Strategic and Performance Plan objectives with individual SES performance plans
- Clearer, more frequent and more meaningful communications on SES performance expectations and performance outcomes and results
- An improved, concise DOC policy that provides increased flexibility within a consistent SES framework

The Director for Human Resources contracted with McManis Associates to conduct a study and recommend how DOC can institutionalize linking management activities to the Departmental GPRA process. The objectives of the study were:

- Stronger alignment of DOC/Bureau plans with SES performance plans
- Clearer, more frequent and meaningful communications on SES performance expectations and performance outcomes and results
- Improved Department policy providing more flexibility

II.   TASKS AND METHODOLOGY

In order to address all the requirements and objectives of the study, the following tasks were identified:

- Assess current linkages between DOC Strategic Plan and SES performance plans
- Assess SES perceptions through interviews and focus groups
- Review DOC, other selected agency and private sector executive performance appraisal policies

The methodology followed for each task is as follows:

A. Current Linkages
- Reviewed DOC Strategic and 1999 Performance Plan
- Goals, objectives, performance measures and indicators summarized & cross-referenced with Secretary's three strategic themes
- Plan information segregated by bureau and compared to individual SES appraisal plans
- Each SES plan evaluated re: specific references to DOC plan goals and objectives

B. SES Perceptions
- Conducted 25 individual interviews with DOC, PAS Officials, Career and Non-Career Senior Executives
- Conducted four focus groups with Senior Executives
- Conducted one focus group with Grade 15 Managers
- All Bureaus were represented in interviews and focus groups
- Identified major theme issues

C. SES Policy
- Reviewed relevant studies, *e.g.,* GAO, National Academy of Public Administration (NAPA), Chief Financial Officers Council (CFO)
- Compared DOC SES policies with government-wide authorities

- Identified government-wide best practices
- Reviewed policies for those agencies granted legislative flexibility
- Reviewed selected private sector models
- Made comparisons where appropriate

This report is structured to address each of the three major task areas. Chapter Two contains, Key Findings and Recommendations evolved from the overall study: Chapter Three analyzes the linkage between the individual SES plan and the Department's Strategic and Annual Performance Plans. Chapter Four deals with the SES member perception as it relates to the performance management process. Chapter Five is an analysis of DOC SES policies and comparisons to the best practices benchmarks in both the government and private sectors. Chapter Six identifies specific actions DOC is advised to take, and a suggested time frame in addressing the principal findings and recommendations of the study.

CHAPTER TWO
KEY FINDINGS AND RECOMMENDATIONS

I.   FINDINGS

A. Best Practices of DOC Plans

1. There is a strong correlation between the DOC Strategic Plan and DOC Performance Plan.
2. EEO and Diversity Management are present in most SES plans.
3. NIST, NOAA, BEA, OA have practices that could serve as models for linking SES plans to organizational objectives.

B. Opportunities for Improvement

1. There is no central focal point for the planning function at the Department level
2. DOC and Bureau strategic performance development and SES plan timing could be better aligned.
3. Communications between DOC top management and Bureau executives is not effective.
4. Not all organizations have annual operating plans that link to SES plans
5. There is weak linkage of SES Plans with Secretarial objectives and Plans
   a. Incorporate DOC goals into Bureau operations, Plans and subsequent SES plans
   b. Secretary/Deputy Secretary should be approval authority for ratings of SES member achievement of DOC goals
6. Management is not an objective in the DOC planning Documents, yet is strongly represented in SES plans
7. Nomenclature, *e.g.,* "objectives" and "activities," are not consistently or correctly used
8. Intentional redundancy is commonplace, and identical plans are often used
9. Executive development is under emphasized
10. DOC should take advantage of existing flexibilities to modify SES plans and reduce number of rating links

C. Strategic and SES Planning Processes

1. There are both real and perceived disconnects among the various DOC components in forging business-like relationships to achieve common objectives. This disconnect is evident in the weak linkages between the Department's strategic and performance preparation plans and individual SES plans. This weakness was found in our review of the Department's, Bureau's and SES plans. This disconnect can be attributed in part to the absence of a DOC staff presence to assist the DOC organizations in developing the linkages and ensuring appropriate follow-up and support so that linkages remain strong and support the Department's mission and goals.
2. Most SES members feel they have not been involved in DOC Strategic Plan Development
3. Timing for plan development is out of sync with bureau strategic plans and SES performance appraisals
4. Guidance on linkages was not communicated in advance of SES appraisal process
5. DOC SES Performance Appraisal and incentives policies are viewed as ineffective and not well understood

D. Culture/communications could be improved

1. DOC culture discourages risk-taking
2. Communications should be improved between DOC top level management and career SES

E. SES Development

1. Training and development program for current SES members could be stronger
2. Need for specific training in GPRA implementation

F. Department of Commerce SES Policy

1. DOC does not take full advantage of flexibility available under current law and regulations
2. DOC policy is too complex and cumbersome

G. Other Agencies' Experiences

1. OPM included "results driven" in its Executive Core Qualifications and has proposed increased flexibility linking SES incentives to organizational performance
2. A few agencies, *e.g.,* Department of Transportation (DOT) and Health Care Financing Administration (HCFA), tie performance agreement language to strategic goals
3. FAA, IRS and PBO legislation link accomplishment of agency goals and objectives with appraisals

H. Private Sector Best Practices

1. Many private sector companies align executive and employee goals with the organization's strategic goals and objectives

II.   RECOMMENDATIONS

A. To improve linkages between Strategic and Performance Plan objectives DOC should:

1. Have annual operating plans by major organization that link to SES plans
   a. Plans should encompass Secretary's and other organizational goals
   b. Individual's responsibility is identified in the operating plan and links to goals in SES plan
   c. Specific elements in the SES plan should include only those activities that are specific to the individual's contribution toward goal accomplishment
   d. The operating plan should become part of the SES plan
2. Establish An Objective For Leadership And Management Activities
3. Develop Plans Specifically Tailored For Deputy, Staff And Oversight Positions

B. To Improve Top-down and Bottom-up Communications, DOC should:

1. Sponsor periodic (*e.g.,* semi-annually) meetings between the Secretary/Deputy Secretary and other Departmental leadership with career and non-career executives throughout DOC

2. Develop and publish a newsletter specifically directed to employees including information on progress being made toward DOC strategic objectives
3. Develop incentives to encourage dialogue among executives on risk-taking to achieve mutually agreed upon objectives, *e.g.,* recognition by the Secretary
4. Sponsor periodic retreats for career and non-career executives to intermingle and share information on DOC initiatives, roles and objectives
5. Establish a DOC-wide planning process that:
   a. Includes executive membership from each bureau and the Office of the Secretary
   b. Assesses organizational progress toward achievement of Department's Strategic and Annual Performance Plan, as well as effectiveness of the linkages with SES plans
   c. Provides on going support to DOC components in developing and maintaining linkages among the various plans

C. **To Improve Executive Development, DOC Should:**

1. Plan and implement an SES development program tailored to the Department's and individual executive's needs, including GPRA training
2. Develop a succession planning policy
3. Provide incentives for mobility

D. **To improve SES Appraisal Policy Within Current Law and Regulation DOC should:**

1. Simplify its SES appraisal system, *e.g.,* reduce the number of rating levels to no more than three; eliminate the arithmetic derivation of summary ratings. OPM assistance and support should be sought as appropriate.
2. Consider changing SES appraisal cycle to allow better integration with strategic and performance plans, *e.g.,* go to calendar year
3. Secretary/Deputy Secretary should be approving official for SES appraisals with respect to attainment of DOC goals
4. Secretary/Deputy Secretary should exercise authority to recognize executives who excel in achieving DOC goals, *e.g.,* use of Special Achievement Awards, group recognition
5. Adopt proven best features from other agencies, *e.g.,* Transportation

    a. Appraisal source Documents should include Strategic Plan, Annual HCFA Performance Plan, Secretary's Performance Agreement with President, business plans, NPR goals, cascading agreements, etc.

6. Focus on results by redefining performance plan criteria

    a. "Objective" - desired result related to executive's work that individual and organization trying to achieve

    b. "Performance Targets" - activities and results to be accomplished by executive by end of performance period, which contribute to attainment of or sufficient progress toward attainment of objective

    c. Designate rating levels such as: "Achieved Results," "Minimally Satisfactory" and "Unsatisfactory," and/or work with OPM to use different ratings

7. Adopt best practices of private sector, *e.g.,* Fannie Mae, Weyerhauser

    a. Align planning and appraisal processes

    b. Limit number of objectives, *e.g.,* six to eight

    c. Evaluate executives on accomplishment of organizational and personal goals

    d. Focus not only on "what" was accomplished but also on "how" goals were achieved

    e. Provide continuous feedback

8. Adopt best practices GAO identified in six agencies conducting GPRA/performance pilots. Two were also found in other organizations successful in linking agency and employee goals and are recommended for DOC

    a. Focus on relatively few, specific objectives

    b. Make individuals aware how performance contributes to attaining broader goals – continuous communications

CHAPTER THREE
STRATEGIC PLAN LINKAGE

I.   INTRODUCTION

This task was undertaken to establish the existence or lack thereof of a logical path between the Secretary's Strategic Plan and actual SES performance plans. Specifically, this analysis demonstrates on a bureau by bureau basis, the extent to which bureau's SES 1998 performance plans align with the Secretary's Strategic Plan.

Information was collected and analyzed based on the Secretary's three strategic themes:[1]

Theme I.   Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's infrastructure.

Theme II.   Keep America competitive with cutting-edge science and technology and an unrivaled information base.

Theme III.   Provide effective management and stewardship of our Nation's resources and assets to ensure sustainable economic opportunities.

Information was included from the Department of Commerce (DOC) Strategic Plan and the DOC Performance plan regarding goals, objectives, performance measures and indicators. This information was summarized and cross referenced under each Theme in Table I. [2] Table II breaks out this data by Bureau to provide a basis for comparison to SES Plans, and includes SES plan analysis by organization.[3] A summary of this analysis is also in Section II of this Chapter.

Three hundred and twelve (312) SES plans were reviewed and data relating to objectives, activities and evaluation criteria were captured by individual plan and by Bureau. Each SES plan was evaluated in terms of whether, or how well the information reflected information in the DOC Strategic Plan and DOC Performance Plan. The DOC Performance Plan was helpful in providing greater detail on activity performance and indicators.

II.   FINDINGS

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1 A flow diagram depicting the relationships among the DOC Strategic, Performance, Themes and SES plans is at Attachment 1
2. Table I is at Appendix A
3. Table II is at Appendix B

A. There is a strong relationship between the DOC Strategic Plan and DOC Performance Plan

The themes, goals and major performance measures are consistent between the two documents. Both documents provide performance measures in the form of specific performance indicators. However, for some goals the Strategic Plan does not include performance measures that are included in the DOC Performance Plan (issued six months later). For that reason both documents were used in our analysis.

B. There is little to no alignment of 1998 SES plans with the Secretary's Strategic Plan.

Individual SES plans can be grouped by Bureau, but it is not possible in most instances to relate activities in the SES plans to a specific theme or objective. In most cases, SES plan activity descriptions and evaluation criteria did not help in trying to determine a linkage. Therefore, we find there is little to no alignment of the 1998 SES plans with the Secretary's Strategic Plan.

DOC Executive Personnel Policy Manual (EPPM), dated January 1997 states:

Performance plans must include:

(a) Critical elements which reflect the senior executives major duties and responsibilities and which are consistent with current job assignments and with the level of duties described in the senior executive's position description. <u>If the element relates to a Secretarial level objective, it must be designated ...as critical and as being tracked at the Department level</u> (underline added).

(b) Organizational objectives must be included in performance plans by incorporating objectives, goals, program plans, work plans, or by other similar means that account for programs results.

(d) An objective, specifying the overall result each element is expected to accomplish, along with the major activities the senior executive must undertake to accomplish each element, must be...in writing in the ...performance plan.

C. Most plans do not designate Secretarial level objectives.

An exception is the Bureau of Economic Analysis and Census Bureau. While not specifically designated as Secretarial objectives, the BEA activities can indirectly be related to the Secretarial goals and some performance activities. Additionally, In accordance with the EPPM, Diversity management, a Secretarial priority, is an objective in most plans. However, there is seldom a match in descriptive performance indicator information. For example the Secretary's performance indicator to re-engineer at least 20 of the highest priority computer applications is probably included among the activities SES plans to improve data programs, but it cannot be determined if or where the Secretary's priority is covered. The research, statistical and scientific agencies have the greatest detail related to program activities, and are likely working on many of the same activities described in the DOC plans, and more. It simply was not easy to relate the two.

D. **There Is Little Linkage Between Organizational Objectives And SES Plans**

While organizational objectives are incorporated in plans for the Office of Administration by attaching unit specific work plans, other organizations list as an activity: developing and implementing strategic planning, and/or carry out work plans. Some go further and state that consistency with other organizations (*e.g.,* NOAA) strategic plans will be maintained and supported. Many of the SES plans have an objective for Strategic Planning. However, the objective is most often related to the strategic planning for that organization, and rarely includes involvement with DOC Strategic Planning. The activity under this objective generally includes developing a strategic plan. The same SES plan may have another objective for implementation of the strategic plan.

E. **Objectives in the SES Plans are stated as Activities rather than goal or results focused.**

In most instances, SES plans included activity descriptors as their objective, *i.e.*, leadership and management performance; technical and program performance, strategic planning, scientific leadership, etc. Again, in the more technical, scientific, and research related organizations goal and results related objectives are more likely, *e.g.,* improve environmental information to customers (NOAA), Decennial Census (Census); modernization of Nation's economic accounts (BEA)**.**
At times general management activity is listed as an objective. These include professional development, direct activities of office, oversee activities, strategic plan support; management and supervision, personal professional development.

F. **Identical plans are used for several SES positions.**

This is a significant impediment in relating individual responsibility to specific goals and activities. This approach is used for all regional positions, but also by some organizational units for a sizable number of SES positions in that organization, *i.e.*, Office of General Counsel, patent examining in Patent and Trade. The Office of Administration uses identical objectives for a number of its positions, however, detailed activity differs for each objective and is linked to a specific work plan.

Parts of NOAA and NIST use general objectives and activities, but reserve one or two objectives that are specific to the work of that individual.

G. Nomenclature is not consistently or correctly used with regard to what are objective, activity and performance measurement criteria. 4

Application of this differing type of information is also inconsistent and often wrong. For example, this report already has discussed how objectives are often written as activities. In the major activities section, it is common to find items listed that are evaluative in nature, *e.g.,* timely response, maintain qualified staff, communicate with others. Other times, but rarer, the evaluation criteria information will include activity, *e.g.,* produce report, hold conference.

H. Item 3 of the SES Performance Plan, Criteria for Evaluation, is often left blank

This implies that "standard performance criteria" apply. Because too often criteria in the standard criteria are repeated in part in Item 2 or Item 3, one is left to believe that the SES plan developer was not familiar with the details in the standard criteria.

I. Linkage Models Exist in DOC

The Bureau of Economic Analysis offers one model of how to be more specific and outcome oriented in describing activities. The National Oceanic and Atmospheric Administration is a model for combining generic objectives for management and leadership positions with a specific objective for the individual's special initiatives and activities. The Office of Administration shows how to use general objectives but link to specific work plans for the units.

II. ORGANIZATIONAL ANALYSES OF SES PLAN LINKAGE TO DEPARTMENT OF COMMERCE STRATEGIC PLAN AND PERFORMANCE PLAN

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4 Illustrative examples of terminology used in different plans are in Attachment 2

A. OFFICE OF THE SECRETARY

1. OFFICE OF GENERAL COUNSEL

Thirteen (13) plans are generic in nature. All plans have the same objectives for Organization Effectiveness, Management and Supervision, Client Relations. Most have objectives for Special Projects and EEO/Diversity.

The plans are voluminous, detailed description of activities of day-to-day work, or general principles of management, *i.e.*, "keeps GC informed," "representation at meetings".

Criteria for evaluation are at least two pages, and emphasize general principles: "deadlines are met;" "data bases are used efficiently". In most plans criteria includes a description for each rating level: Outstanding; Fully Successful; Unacceptable.

There is no evident relationship to the Department of Commerce Strategic Plan and/or Performance Plan (subsequently referred to as DOC-SP/PP) goals, program activities or performance elements.

2. OFFICE OF ADMINISTRATION [5]

Twelve (12) plans have four consistent objectives: Strategic Goals, Emergent Requirements, On-going/Core/Maintenance Activities and Diversity. One plan focuses on Technical/Program performance & Customer Service. Each plan references an attached operating plan for that organizational unit.

Evaluation criteria are general in nature, but they do build in employee, peer, and customer feedback on performance.

There is no evident relationship to the DOC-SP/PP goals, program activities or performance elements.

B. BUREAU OF EXPORT ADMINISTRATION [6]

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5. Appendix B , Pages 3-7
6. Appendix B, Pages 8-10, Strategic Plan Goals: 1D0, 1E0, 1F0, 2M0,

Five (5) plans have 4 to 5 objectives. All have EEO/Diversity objectives. Objectives are managerial in nature. Four plans share identical details. The diversity objective is a generic activity in line with the Secretary's directive on Diversity. Other objectives are management, leadership related. Activity descriptions and Evaluation criteria are general with no direct relationship to Strategic Plan elements. Performance measurement criteria in DOC-SP/PP are not evident in plans.

C. ECONOMIC DEVELOPMENT ADMINISTRATION [7]

Eight (8) plans have four to five objectives, with most having five. All have Diversity Management (which includes EEO) as an objective.

The objective Program Operations is the same for seven of the plans. Other objectives are related to general management and leadership. Activities under each objective reflect general management type activities:

> Supply comments, provide direction, supply timely information; complete processing of projects by 9/30; elicit comments on drafts, provide direction, timetables to regions; monitor & close out projects; represent agency, direct and evaluate staff

Evaluation Criteria rely on references to "the standard performance criteria." There is no evident relationship to SP/PP goals, program activities or performance elements.

D. ECONOMICS STATISTICS ADMINISTRATION [8]

1. Office of Under Secretary [9]

Six (6) plans have 4 objectives. Four of the plans have general management and leadership objectives (including Diversity); one of the four includes "Career Development" as major objective, with standard generic criteria applicable. Two of the plans have 3 general management objectives (including Diversity) and one objective that is program management in nature and somewhat related to objectives in DOC SP/PP: relevance/quality of economic and policy analyses; and Center for Industrial Analysis. However the activities under these objectives are management specific, *e.g.,* develop plans, analyses, control workflow. Except for these two

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7. Appendix B, Pages 11-12, Strategic Plan Goals: 1I0, 1J0, 1K0, 2N0, 3F0, 3G0, 3H0
8. Appendix B, Pages 13-45, Strategic Plan Goals: 1G0, 1H0, 2I0, 2J0, 2K0
9. Appendix B, Pages 13-16

objectives, the plans do not reflect a relationship to SP/PP goals, program activities or performance elements.

2. **Bureau of Economic Analyses** 10

Nine (9) plans were reviewed. Each plan has 5 objectives, two of which are management related but very specific to ESA program activities. For example, "Diversity--review BEA procurement, training and data to assure diversity is considered" and "Resource Management--reengineer data estimation processes to improve accessibility of data . . . through Internet sites . . .." Activities under each SES Plan can be related to the individual Secretary's goals and activity areas. It is difficult to tie to specific performance indicators. The plans have more detail than does the DOC SP, as should be expected. The BEA Strategic Plan is referenced in some of the plans.

Evaluation Criteria rely on "standard performance criteria." Each program related objective also includes BEA research criteria, sensitive data standards, and data/Documentation standards as evaluation criteria.

BEA provides a good model for tailoring plans to unique responsibilities of individuals. It would be useful if SES Objectives referenced particular Secretarial objectives.

3. **Census Bureau--SES Performance Plans** 11

Forty-four (44) plans were reviewed. All plans have at least two objectives relating to general management objectives: Diversity/EEO, Resource Management and/or Organization Management. Most have one objective that relates to strategic planning: Responsive to ESA Goals; ESA Performance Improvement; or support ESA Goals.

Some plans have more than one objective dealing with general management areas, *i.e.*, recruiting and staffing, organization management, personnel management, financial management, EEO/Diversity which results in duplication in the activity descriptions and meanings.

Often there are evaluation criteria contained in activity description, e.g.: "timely information," "thorough responses," "work effectively with customers," "prompt,

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10. Appendix B, Pages 17-23
11. Appendix B., pages 24-45,

thorough responses to assignments; effective presentations; proactive in bringing key issues to attention of Director."

Several of the plans mention some activity related to customer feedback (internal and external); and the Census 2000 (dress rehearsal) oversight & planning activities. The ten regional director positions more closely relate to Strategic Plan goals: "direct data collection activities, complete surveys; updating operations, geocoding operations; oversee development of information services to census data users. These regional plans also contain general management duties, *e.g.,* "work effectively with staff, peers... prepare budgets."

Each of the DOC-SP/PP goals for this Bureau are directly or indirectly reflected in one or more of the plans. Activity related to indicators in the SP are also indicated, however, specific quantifiable targets are missing, *e.g.,* number of operational processing centers, number new releases of data.

Evaluation criteria rely on Generic Performance Standards.

E. INTERNATIONAL TRADE ADMINISTRATION [12]

Twenty-four (24) plans were reviewed. Most plans have 5 objectives, two plans have six objectives. EEO/Diversity and Administration and Supervision are objectives in each plan. Both of these objectives have general management activities listed and rely on standard performance criteria.

Four objectives are broadly related to the objectives in the DOC-SP/PP, *e.g.:* "Trade Agreements," "Develop Trade & Investment Policy," "Expand Business Information," "Business Services." For example, "Business Service" in one SES plan states: "provide accurate, timely information services to Business community." This corresponds to Goal 2L0 in the Strategic Plan "...Counsel U.S. firms on appropriate export strategies and provides comprehensive, up-to-date information.... " However, most are not this clearly connected. For example, Goal 2L0 "...counsel U.S. Firms on appropriate export strategies and provide comprehensive and up-to-date information..." is clearly included in SES plan objectives such as "Expand Business Information" and "Business Services". However the specific SP activity and performance criteria is not evident in the activities or evaluation criteria sections under these objectives.

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12. Appendix B, Pages 46-58, Strategic Plan Goals: IA0, IB0, IC0, 2L0

Evaluation criteria in the SES plans append specific objective related criteria in about 50% of the plans. (The remainder rely on the standard performance criteria). In some instances the criteria are so specific, they actually repeat or describe major activities, *e.g.,* "maintain reporting requirements." In most cases the listed SES plan evaluation criteria are subjective in nature.

F. MINORITY AND BUSINESS DEVELOPMENT AGENCY [13]

Three (3) plans share three common goals, although with somewhat different titles: Program Management, Representation/Outreach and Organization Management. Two of the three plans include a fourth objective for Diversity. Except for the "Program Management" objective in the Director's SES Plan all objectives are management oriented and not directly related to activities outlined in the performance indicators in the SP. The Director's "Program Management" objective does relate to DOC-SP/PP activities, but excludes any quantitative measures. Each of the SES Plans relies on standard performance criteria for evaluation.

Examples of activities that are general management in nature are: "provide access to employees," "prepare employee performance plans," "advocate agency program," "participate in meetings," "maintain records."

G. NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION [14]

Eighty-eight (88) plans were reviewed. NOAA appears to have issued general instructions on preparing SES Plans. All plans share five common objectives: Leadership, Strategic Plan Support, Management and Professional Development, EEO/Diversity and some form of a "Special Projects" objective. Except for the Special Projects type objective, the remaining four objectives share the same general details on activities.

The Strategic Plan objective in each plan lists as activities:

Contribution to accomplishment of goals/objectives (assume unit or NOAA); support strategic planning and budget process; support development of 5-year implementation plans; carry out elements of strategic plan; strengthen performance measures and support GPRA implementation.

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13. Appendix B, Pages 59-62), Strategic Plan Goals: 1L0, 1M0
14. Appendix B, Pages 63-101, Strategic Plan Goals: IX0, IY0, 2D0, 2E0, 3A0, 3B0, 3C0

While this is one of the few instances where GPRA is mentioned in any plan, it isn't clear whether "support strategic planning" refers to DOC-SP/PP, NOAA's Strategic Plan or both. So while this objective is admirable, it is open to question whether it underpins the DOC Strategic Plan.

The Special Projects type objective is where program activities are described in each SES plan and where the relationship to the DOC Strategic Plan is most likely to exist. However, the two documents are not easy to cross-link. The SES Plan is broad enough in descriptive narrative to easily interpret that the specific DOC-SP/PP activities and indicators are included. For example, "develop plan for hurricane research, institute cross-cut on real-time warning activities of federal agencies" is close to DOC-SP/PP Goal of "Improved short-term warning and forecast products and services."

The strength of the NOAA SES process is that all SES Executives are held to the same set of general objectives, with differences in program focus/direction reflected in the differences in one of the five objectives "special projects." NOAA could take this a step further and develop the objectives and activities for the general objectives as a supplement to each plan rather than as a part of each one. Also the "special projects" objective is often assigned a 5%, 10% or 15% value. The program specific objective (in this case "special projects") has the lowest rate among the objectives. This often is the objective that carries out activities closely related to DOC-SP/PP.

H. NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION [15]

Six (6) plans were reviewed. Each plan has "Resource Management" and "Diversity Management" objectives that relate to human resource management and budget, performance evaluation, training management. However, similar management activities can be found in the objectives of Organizational Effectiveness, Planning and Responsiveness". For example "Program Planning & Management" in one plan includes staff training needs/opportunities.

Most of the plans rely on the standard performance criteria for evaluation purposes. One plan supplements this section with further standards that focus on timeliness of plans, quality of deliverables, etc. (standards already implied in the standard performance criteria).

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15. Appendix B, Pages 103-105, Strategic Plan Goals: IT0, IU0, IV0, IW0, 2G0, 2H0, 3E0

One plan notes that the executive is to "prepare operating plans which reflect agency priorities and are consistent with DOC agency strategic plans." Except for this reference, no linkage was found to the DOC--SP/PP.

I. PATENT AND TRADE OFFICE [16]

Thirty-one (31) plans were reviewed. Objectives for Resource Management, Management, Labor Relations and Leadership are in most plans in some form, *i.e.*, there may be 2-4 objectives for these activities depending on the plan. There is little consistency in how major activities are sorted into objectives, for example one objective in one plan for "Strategic Vision" focuses on "understanding roles/relationships of national policy-making... motivate others." This same plan under the Program Development Objectives includes "formulate short-long term goals/objectives and integrate into strategic plan." Several of the plans have "serve as property accountability officer" which raises the questions of whether there is more than one officer, or if this is indicative of a blanket duplication of certain objectives among the plans. Sixteen of the Plans (mostly regional directors) are generic (or identical) plans.

Plans are more day-to-day management responsibilities for all objectives and have little direct relationship to goals in DOC Strategic Plan.

Most plans defer to the standard performance criteria for evaluation purposes.

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16. Appendix B, Pages 106-113, Strategic Plan Goals: IS0, 2F0, 3D0

J. TECHNOLOGY ADMINISTRATION [17]

1. Office of the Under Secretary [18]

Seven (7) plans were reviewed. Most plans have four objectives; one has five. All plans have an objective for Workforce Diversity. Four plans have a specific objective for Strategic Planning/Policy Development/Program Implementation. Under this objective, activities related to strategic planning and mission goals of the Bureau are included, but this objective also includes resource management activities of staff development, and space and resources planning. Leadership and Advocacy is an objective under four of the plans with representation and advocacy being prime activities, and includes as an activity: "respond in clear, effective and timely manner to requests." Four plans have an objective for management and administration, which includes general duties, *e.g.,* financial planning, maintain core professional staff, ensure written products are on time and of high quality.

These plans are reflective of an oversight office that participates and oversees activities. There is little direct responsibility for DOC- SP/PP reflected. However, there is room for simplifying and improving the plans to focus more on program specific goals and to group some of the general management activities under one or two objectives.

The plans defer to the standard performance criteria for evaluation, or supplement with activity type narrative, *e.g.*: "help devise and implement strategies." Likewise, as noted above a large amount of evaluation criteria is included in the activity descriptions.

2. National Technical Information Service [19]

Three (3) plans were reviewed. One plan had four objectives; one plan had five objectives, and one had six objectives. Each plan includes an objective for Diversity Management. Except for the Diversity objective, the other objectives are program related and are concerned with such activities as: assessments, analyses, purchasing foreign scientific information, negotiating service agreements with other federal agencies, introducing technology to improve productivity and competitiveness. While the activities are program rather than management related, it is still difficult to relate the activities to particular Goals or Performance

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17. Appendix B, Pages 114-142, Strategic Plan Goals: IN0, IO0, IP0, IQ0, IR0, 2A0, 2B0, 2C0
18. Appendix B, Pages 114-119
19. Appendix B, Pages 120-122

Indicators in the DOC Strategic Plan. There is no mention of activities contributing to the long-range planning process of TA or NTIS.

Plans defer to "standard performance criteria" for evaluation purposes, except one plan augments with criteria on responsiveness to program managers, successful integration of business activities and financial reporting, advisory input to Director and degree of staff diversity.

3. National Institute for Standards and Technology [20]

Fifty-three (53) plans were reviewed which consistently share five objectives: Program Planning; Program Implementation; Program Administration; Institutional Health and Diversity. Some deviate on "Administration" by replacing it with "Representation," or other general management topics, *i.e.*, "Facilities Management." Two of the objectives, Program Planning and Program Implementation, differ in each plan to reflect that individual's program responsibilities.

The "Program Planning" objective lists activities associated with long-short-range planning, but with no specific mention of linkage to DOC or TA strategic planning process (one exception is the Deputy Director for Administration's plan references linkage to DOC/CFO ASA plan). This objective also includes some very technical, activity specific planning, *e.g.:* reduce number of metal SRMs and replace with NTRMs, upgrading information technical areas and systems.

Under the objective for "Program Implementation" is a mixture of management activities (*e.g.,* leadership and management of project teams, serve as mentor, external relations and communications) and program implementation (*e.g.,* technology commercialization, electronic information system, assist businesses to use NIST technologies).

Sometimes a plan includes evaluation criteria as an activity (*e.g.,* quality and quantity of technical output). And sometimes the evaluation criteria list program activities (*e.g.,* establish process for program competitions). A few plans include quantifiable targets in the evaluation criteria (1 each of publication, talk, voluntary standard, standard artifact or workshop).

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20. Appendix B, Pages 123-142

In most instances the plans are far more detailed in describing activities than is the DOC Strategic Plan. Although the DOC Strategic Plan Goals are within these individual plans, there is not a clear, readily identifiable link between the two. Unlike the DOC Strategic Plan, the SES plans do not have specific quantifiable targets for the activities, *e.g.,* number of Standard Reference Materials (SRMs). However several plans list the activity of issuing Standard Reference Materials (SRMs) and also reference the same evaluation criteria. What you do not see is a number expressly associated with most activities, *i.e.*, number of SRM's issued, millions of dollars increased sales by companies served by extension service providers, etc.

Evaluation Criteria is very specific to the program activity described.

III.   RECOMMENDATIONS

There are opportunities to improve the current SES performance planning system, while creating a linkage and interface to the DOC Strategic and Performance Plans, reduce paperwork burden and increase meaningfulness of plans to the individual and the organization. All the core mechanisms exist to build towards the needed interface between the SES Plans and the DOC Plans

A. Establish new general performance objectives and standards that encompass leadership and management activities and general evaluation criteria. These standards/evaluation criteria should encompass goals/activities that are currently single goals in SES plans, such as Resource Management, Organizational Management, Strategic Planning, EEO/Diversity. Assign a value for one objective *i.e.*, "Leadership and Management" that encompasses the executive's performance in these areas. The specifics for activities and evaluation criteria should be generic to all SES positions in DOC for this one objective.

Reserve further Objective/Goal development for specific activities related to the above areas or program activity areas, where a precise goal can be defined and measured. For example, bringing financial systems into GAO compliance by a specific date or Conducting the Decennial Census.

A preponderance of the details in the current SES Plans concern typical or generic management and leadership activities of an individual. While there are some leadership activities in this detail, such as oversee and direct strategic planning, most are management related (maintain staff, provide training opportunities) and often relate strictly to the individual (seek training or development opportunities, participate in meetings). Plans will

include verbiage in their list of activities that is more appropriate in the "criteria for evaluation" section (*e.g.,* employee communicates effectively).

Often the objectives/goals are in fact activities, *e.g.,* "Support ESA Goals"; "Professional Development"; "Strategic Planning"; "Resource Management"; AEEO/Diversity Management."

B. **Each organization should have an annual operating plan. These plans should encompass the Secretary's strategic priorities (goals) and other priorities of that organization. Individuals responsible for activity in the operating plan should be identified and included in the operating plan. The SES plan should cross reference to the operating plan, and contain only information that is specific to that individual's performance in accomplishing the organizational goal. This should simplify the amount of descriptive information in current plans, while making them more understandable. It should also result in non-Secretarial objectives of the organization (such as reimbursable activities for other federal agencies) being included in the full picture of the organizations activities. The operating plan should become part of the SES plan.**

Most organizations do not have objectives or activities that can be readily related to the Secretary's Strategic Plan. The exceptions, such as NOAA, Census, BEA and NIST, have SES plans with somewhat related goals and activities. However in these instances the plans usually have only one such objective (NIST has two) of four to six objectives. The point assignment is 10% to 15% with the majority of points assigned to the other objectives. While there is a correlation to the Strategic Plan, there is not a significant portion of an executive's expected performance tied to the DOC Strategic activities. In addition, the narrative accompanying program specific objectives are very detailed, containing more narrative than ever was intended in the SES plan form design.

C. **Performance measurement criteria in SES plans should be consistent with the performance measurement criteria in the DOC Strategic and Planning documents. However, this is an evolving process and in the short-term DOC should strive for consistency in what is measured, rather than how much or how many**. **Bureau SES input into identification of measures is crucial, as is the input of customers and other stakeholders.**

The "criteria for evaluation" section of the SES plans most often is blank or specifically defers to the "generic performance standards." When evaluation criteria is included that is specific to that plan's objective and activity there is seldom any relationship to the performance measurement criteria in the Secretary's Strategic Plan and Performance Plan.

The criteria often refer to the person's personal performance (*i.e.*, timely response to requests), rather than to the person's performance towards program accomplishments. In some cases, where it is program performance related, the activity and evaluation criteria is more specific than what is contained in the DOC documents. For example, a specific "standard reference material" will be developed under the SES plan, versus a criterion for a certain quantity of SRM's in the DOC documents. Quantity does not determine quality, and we are reluctant to recommend that the SES plan criteria conform specifically to the criteria in the DOC documents. We believe that development of performance measurement criteria for Bureau Operating Plans, the SES plans and DOC Strategic documents is an evolving and continuous process. Good interchange among developers and managers of these systems should result in appropriate performance measurement criteria.

D. **Deputy and staff positions should have general standards (see Recommendation A.) and where applicable objectives related to their specific responsibilities for portions of the annual operating plan. Where there is not direct responsibility for operating plan activities, only the general standards should apply.**

Every large organization has organizational layering, and DOC is no exception. As a result a number of SES positions are in oversight and/or staff positions, *e.g.,* deputies, special assistants. It is clear from the SES plan analysis that it has been difficult to relate activities for these positions to something more specific than participating in meetings, coordinating work, and oversight. At times the deputy plan duplicates the director's plan.

CHAPTER FOUR
SES PERCEPTIONS

I. INTRODUCTION

This Chapter is based on 25 one-on-one interviews with Presidentially Appointed Senate Confirmed (PAS) officials, non-career and career SES officials. These were supplemented by 5 focus group meetings, 4 of which were held with career and general SES officials and 1 with only GS-15's. Also, some participant observations were corroborated by findings from the SEI linkage analysis and policy review tasks. Individual interviews ranged from 1 hour and 15 minutes to 2 1/2 hours in length. Each focus group consumed 2 1/2 hours. The main thrust of the individual and group discussions was to ascertain views on the Secretary's strategic plan and its linkage to Bureau Strategic/operational plans as well as to SES performance plans.

At the outset, it is important to note that while the number of participants involved comprised neither a majority nor a scientifically drawn sample of DOC executives, all Bureaus and all executive categories were represented in the interviews and focus groups. In addition, many of the participants independently raised the same points and expressed many of the same views; thereby giving additional credence to the findings.

It is also important to note that virtually without exception participants in every interview and focus group were forthcoming and cooperative in discussing the subject matters being examined. The participants indicated a great desire to contribute to the Department's well being and to be a constructive force in improving DOC's management and implementation of GPRA.

II. FINDINGS

A. Strategic Plan

While most Commerce executives stated they have not been directly involved in the development of the Secretary's Strategic Plan, these executives believe that they have had input into their own Bureau's strategic plan and, by extension, into the Secretary's Plan. This belief was expressed even at the PAS level in those instances where the particular PAS had been on-board at the time the Plan was being developed. In all instances where this observation was expressed, it was because the Bureau's Strategic Plan had been developed and instituted before DOC requested Bureau input into the Secretary's Plan. Executives from almost all the Bureaus stated that their Bureaus had been involved in

strategic (or long-range) planning well before GPRA was enacted into law. Moreover, they all pointed out that the call for input into the Secretary's plan was out of sync with their own planning cycles as well as with their need to incorporate such results and goals into their executive performance plans. To be effective and meaningful, the timing between the Department and Bureaus should correspond.

It was further observed that the relatively frequent turnover among non-career appointees made DOC leadership in this area difficult and sometimes caused time-consuming delays. This observation was borne out in interviews with several PAS officials who stated they had no input into the Secretary's Strategic Plan or, even in a few instances, knowledge of GPRA, because of their relatively recent arrival on the job. The need for leadership stability in the strategic planning process is not unique to DOC. The problem in DOC, however, seems to be intensified because, without exception, there appears to be a serious deficiency in communications between the Departments top levels, the Bureaus and sub-organizations of DOC.

Executives interviewed in administrative support offices and in the Office of Counsel, both at headquarters and in the field, did not see themselves as being directly involved in either the Strategic Plan or the GPRA processes. However, they were fully conversant with both subjects, more so in some instances than executives more directly affected by GPRA requirements. Nonetheless, these administrative and legal executives described themselves as support and/or advisory officials who were not in the direct line of these efforts. At the same time, those in administration expressed the view that their efforts would be better defined if they were included in the Secretary's stated Departmental themes.

One further general observation merits consideration. It was noted that some 300 goals flow from the Secretary's Annual Performance Plan. While this certainly permits and encourages a more definitive identification with specific performance objectives, the Secretary's office has not prioritized these goals. This obscures the relative importance that is to be placed on their accomplishment, particularly in an environment of limited resources.

B. **Linkages Between Strategic Plan and SES Performance Plans**

The time element involved in scientific and research activities does not readily lend itself to annual performance plan results or outcomes as called for in Strategic Plan or GRPA efforts. Without exception, executives involved in such activities expressed concern with attempts to "make one size fit all." Both in individual interviews and in the focus groups, the point was forcefully made, that scientific and research efforts cannot be judged or measured on a specific time-line basis. The very nature of their work often does not conform to specific time frame specifications. The participants expressed the view that for Strategic Planning to be credible, it has to recognize and accommodate the nature of what research means and involves.

In addition to the above, it was also noted that it is frequently difficult to set performance goals that are significantly affected by external forces. In this connection, examples such as unexpected changes in export controls or policy indecision about the role of sampling for the next Census were specifically identified as affecting GPRA requirements. There was a general view that DOC does not give ample weight or recognition to these factors. This was ascribed to the fact that it is not always possible for one unfamiliar with scientific disciplines to understand linkages in the Performance Plan because of the scientific research elements and terminology involved.

Virtually all participants found the Performance Plans to be excessively bureaucratic and contain too many elements for which there are no specific goals or measurements. It was also pointed out that many senior managers do not use the measures published in the DOC budget, either in their operating plans or in their performance plans.

As with the Strategic Plan, Bureaus see compliance in terms of their own internal Operating Plan and their SES Performance Plans. In this sense, they believe that they have achieved linkage, in that the one stems from the other. Some expressed the opinion that the Bureaus often do not attempt to link their SES Performance Plans with the Secretary's Strategic Plan because of its remoteness from their reality of Bureau management, accountability, and desired program results.

C. **SES Attitudes and Reactions Toward GPRA**

Employees who experienced MBO, TQM, PPBS, ZBB, etc., expressed skepticism with GPRA. Although GPRA has been legislatively mandated, it has not meaningfully affected rank and file employees. On more than one occasion, GPRA is referred to as the "flavor of

the month." In part, this is because there is not effective communication to inform and underscore to the rank and file, the importance of this new initiative.

Many feel that the amount of GPRA training is virtually nonexistent. Even where it has taken place, executives generally could not identify whether it was in-house or external training.

There is general intellectual understanding of the difference between outputs and outcomes. But, scientists and researchers because of the unrealistic one-year (annual) measurement cycle reject the latter concept. Some feel even a longer cycle might not be workable. In addition, it was pointed out that emphasis on quantitative measurements can damage research efforts and programs that do not easily lend themselves to quantification.

Participants expressed the view that leadership at the DOC level in managing the GPRA process could be improved.

D. Concerns Involving SES Program

Many executives in addressing training as a major initiative, would support the idea of a central role for the Secretary/Deputy Secretary. Government-wide, there is a perception that when budgets are tight, the first item reduced is training. In any number of independent studies, this perception is borne out by the evidence. Lack of Department-wide training initiatives was cited in every focus group and by a large majority of career executives during the one-on-one interview process. Many feel that any training in DOC is handled solely at the Bureau level. This can lead to a perception of a lack of interest towards executive training and development by the Department. Training is viewed by many as an essential part of effective management and performance.

The DOC process of selecting SES candidates and ensuring their development is not understood. Focus group participants, particularly in the GS-15 group, cited many incidents where the DOC Candidate Development Program, was actually a disincentive because relatively few of those selected for this program are ultimately chosen to fill SES vacancies. One participant indicated that he had been selected for this program over 10 years ago, and not a single person from his class had, as yet, been selected for SES. In fact, he was not consciously aware that any of them had even been considered for such appointment. This incident was offered as a possible reason for the lack of interest by GS-15's in the DOC announcement of an upcoming Candidate Development Program.

Frequently, people selected for SES positions are so recognized because of their technical or professional competence and reputation, rather than for their ability to manage or exhibit executive leadership.

Several PAS officials expressed the opinion that their leadership efforts were handicapped by the difficulty in "firing or otherwise disposing of" SES careerists whom they inherited on their staffs. In these instances, it was emphasized that the inability of such SES careerists to perform up to expectations was attributed to technological advances that outdistanced the skills they had or would be able to acquire. Intensifying this situation, a large number of PAS appointees indicated frustration with the "bureaucratic" difficulty in filling vacant SES positions in a timely manner. In this respect, they all agreed that the time frame involved in bringing new SES selectees on board was too long and much too arduous. Several noted that it was not unusual for the process to exceed a year, during which time a number of candidates lost interest in the Agency.

A sizable number of participants observed that too many inaccurate performance evaluations are given. They also noted that managers/executives who attempt to give what they believe to be accurate evaluations receive little or no support from their supervisors. In this latter respect, senior management, including career executives, are seen as resisting "honest" evaluations because that may lead to a performance action that frequently becomes a time-consuming legal action. As a result, there is a pervasive belief that top-level executives want to avoid such encounters and, therefore, endorse less-than-accurate evaluations rather then going through "the ordeal" of employee charges and appeals.

There are contradictory views concerning the role of DOC. On the one hand, there is some resistance to what is perceived as DOC micromanagement, arbitrary decision-making, and unnecessary involvement in Bureau affairs. On the other hand, many see and desire opportunities for crosscutting cooperation that only DOC leadership can achieve. Also, SES members expressed the desire to be included in discussions of DOC initiatives that lead to policy decisions.

The disparate nature of the Bureaus, each with its own set of interest groups and power clusters, tends to strengthen employees' identification with their Bureaus rather than with DOC. At the same time, most desire continued affiliation with DOC, rather than independence. Participants readily recognized the benefits of remaining a Cabinet-level Department.

Many contended there are no SES mobility and/or sabbatical opportunities in accordance with the Civil Service Reform Act of 1978.

The SES bonus system was criticized as being unfair, meaningless, a disincentive, and of questionable integrity. It was also noted that PRB's are ineffective. Insufficient money and artificial constraints impede performance incentives, and there should not be an informal quota system for bonuses. Some perceived that changes in bonus awards were made retroactively, instead of prospectively. This latter perception seemed to be based on experiences wherein Bureau officials announced proposed bonus awards that were not subsequently endorsed at the DOC level.

A number of participants noted that decision-making and risk-taking are not tolerated. They expressed the belief that while leadership pushes for change, they will not accept failure.

E. Culture/Communications

There is a widespread view there is little communication between DOC executives and the Secretarial level. It was broadly noted that communication goes up the line, but rarely comes back down. DOC seeks input on initiatives but does not share its reactions or results. It seems to be a one-way flow. This has created a lack of interest and a feeling of not belonging to a larger entity.

Many described DOC as a "holding company." There is a strong, positive identification by SES members with their Bureaus, but at the same time, there is a great desire to be a part of the larger DOC. In this connection, many gave examples of opportunities for crosscutting cooperation. It was in this area that most saw a need and desire for DOC involvement and leadership.

The large number of political appointees was cited as a major impediment to policy and program continuity as well as to stability. The frequent change in top-level political positions not only serves as a disincentive for efforts to relate to a larger whole, but also encourages Bureaus to act more in their self interests. This widely held belief underscores the need for more frequent and open two-way communications.

When confronted with a direct question on Bureau independence vs. continued association with DOC, overwhelmingly most want to continue as part of the Department. It was readily recognized that there are many benefits to remaining as a Department and "having a seat" in the White House Cabinet Room. Many executives observed that, despite the difficulties cited, morale is remarkably high. There is a great deal of pride and interest in their work and that of their Bureaus.

Most participants supported the Secretary's desire for a more cohesive Department, but some were unsure how this could be accomplished.

III. Recommendations

A. Strategic Plan

Establish a process at the Departmental level that calls for each Bureau to appoint an executive-level official to represent that Bureau in quarterly (or whatever frequency is necessary) meetings at which strategic planning matters will be discussed and decided. At these DOC-led inter-Bureau meetings, crosscutting issues and concerns, time lines, performance plan linkages, priorities, etc. would be agenda topics. Adopting this kind of recommendation would not only institutionalize a process at the DOC level, but it would also go a long way towards overcoming the communication voids that now exist in this essential area, as well as bringing all DOC elements together in a common endeavor.

DOC should establish a priority list of the goals that cascade from the Secretary's Strategic Plan. By so doing, the Office of the Secretary will be making the overall decisions that are basic to resource deployment when and if events require such determinations to be made.

Frequently, it is assumed or intended that broadly stated themes or policies are interpreted to be more inclusive than the actual statements convey. Such may be the case insofar as the roles of administrative and legal services are concerned. The Secretary's three themes have not been interpreted as including management effectiveness and efficiency in terms of support services and organizations that are not involved in the direct operations of substantive Bureau responsibilities, but rather exist as a support or service organization to the Bureaus.

B. Linkages between Strategic Plan and SES Performance Plan

Recognize and accept that scientific/research activities, unlike other programs, may not necessarily lend themselves to annual outcome evaluation techniques. A more accurate gauge may well be in evaluating outcomes from *past* years' accomplishments. This has been a technique successfully used by various elements of the Department of Defense in both their internal evaluation efforts and in responding to Congressional Committees, GAO, and OMB.

Some accommodation should be made for those program areas where it is usual for external forces to impact upon operating results and planning expectations. Predetermination based on historical events can provide a workable base for a more realistic planning document.

C. Concerns Involving the SES program

It cannot be over-emphasized that training is a major component of not only management effectiveness but, equally, of program performance. Unless employees at all organizational levels are given the skills they require to succeed in discharging their responsibilities, the organization as a whole cannot succeed. In this respect, training takes on a dual role: first, there is technical training, *e.g.,* equip employees with the skills required to take advantage of technological progress or changes in the law. Second, there is management/leadership training, so that those placed in positions of authority can, in fact, effectively carry out their duties. The almost unanimous perception is that training is often seen as a major, important function. While it is recognized that GPRA calls for training, that is no less the case in many other Departmental areas. DOC should address this as a priority and ensure that information is readily available on training opportunities. Further, DOC should develop an inventory of its internal, as well as external, training programs and clearly articulate and visibly support a policy communicating that such programs are available. Adopting a well-publicized Department-wide policy underscoring Secretary-level support for training, particularly in the areas of GPRA and management would underscore the Secretary's commitment to encouraging individual development to achieve both individual and DOC goals.

There appears to be a lack of knowledge on the part of more recently appointed executives concerning GPRA and the Secretary's Strategic Plan. Although every new PAS executive intended to take a very active part in the planning process, it was some time before they were exposed to the process and requirements. A special indoctrination program for newly appointed non-career appointees could serve DOC well in many different ways. In addition, such indoctrination programs also could include topics dealing with the career/non-career relations, rules of conduct, an overview of DOC and Bureau initiatives, etc. This kind of indoctrination has been used in the past to great advantage.

In consonance with the Vice President's NPR initiatives and its successor documents, empowerment and team crosscutting groups are to replace previous bureaucratic configurations and processes. While it is recommended that DOC should exercise a more centralized involvement in such areas as SES awards and appraisals of

performance on DOC goals, that does not conflict with the need to give Bureaus more flexibility in other personnel and management areas. Such a necessarily dual approach will not be possible unless both the Bureaus and DOC treat each other with trust. The DOC should be viewed as the constant, capable resource that Bureaus can look to and receive understanding and positive assistance. For their part, the Bureaus must understand that DOC does have a central responsibility for establishing and ensuring the integrity of both the bonus, the performance rating and bonus systems. All parties need to establish trust in each other. This involves attitude as well as action to accomplish. A good starting point would be to establish a crosscutting team with Bureau representatives, augmented by some program personnel. This team should be tasked with coming up with recommendations as to how trust can best be attained without sacrificing accountability.

The need for risk takers in any organization is self-evident. If the perception of those interviewed in this study that DOC "talks a good game in the name of taking risks," but penalizes failure has any credence in fact, the Department as a whole will suffer. Since no examples were offered to support this claim (which was repeated in several groups), DOC should look into this perception. If possible, DOC might even seek to reward an individual or group that has taken risk to achieve a worthwhile objective with less-than-fully successful results.

D. Culture/Communications

Whatever actions are taken to educate executives about strategic planning and GPRA will certainly assist in opening up a two-way flow of communications. There are several vehicles available to promote interaction among DOC's executives. In previous years, DOC conducted a program wherein non-career and career SES members participated in retreats of up to a week in duration during which they worked together on ideas, programs, problems, and matters of mutual interest. Such events resulted in closer relationships and understanding of each other's role. As an added benefit, it would help foster a mutual understanding and appreciation for each others' skills.

There are other steps DOC can take to encourage and facilitate two-way communications. There are opportunities available for DOC to institute periodic get-togethers (otherwise known as "all-hands meetings) with the Secretary and other top Commerce officials to bring the career SES executives into a closer relationship with the Department's concerns and priorities. Also, DOC should publish and widely distribute a frequently published newsletter. It could highlight an appropriate message from the Secretary, status of progress toward achievement of the Department's goals,

as well as news items such as, bureau activities, personnel awards and individual and/or group recognition, status of appropriations (when relevant), new initiatives underway, etc.

A concerted effort should be undertaken to have the Secretary or the Deputy Secretary visit the bureaus to be seen, as well as heard, on matters of mutual interest.

It has not been unusual in a number of agencies to have newly appointed SES careerists personally meet with the Secretary and or Deputy Secretary. Such efforts are very meaningful to executives in hearing personally the vision of their top executive leaders.

CHAPTER FIVE
PERSONNEL POLICY

I.   INTRODUCTION

The objectives of this Chapter are to:

1. Identify value-added DOC SES policies
2. Identify policies to be terminated
3. Determine how to make DOC policies more effective
4. Determine if the policy meets GPRA requirements

In order to develop meaningful and helpful policy guidance, we conducted the following exercises:

1. Compared DOC SES policies with government -wide authorities
2. Identified government-wide best practices
3. Made comparisons where appropriate
4. Compared DOC with those agencies that have been granted legislative flexibility to establish performance appraisal systems irrespective of the Title 5 requirements
5. Assessed selected private sector models

II.   FINDINGS

A. Comparison of DOC Policies with Government-Wide Authorities

Among the many objectives of the Civil Service Reform act of 1978, which created the Senior Executive Service, was that executives be held accountable for "individual and *organizational* performance" (italics added). 5 U.S.C. Chapter 43, Subchapter II, sets out the statutory requirements for performance management systems applicable to the SES. Other sections of Title 5 stipulate requirements applicable to other SES features such as awards, development, etc.

5 CFR establishes government-wide regulations carrying out the intent of the law. It is noteworthy that the CFR defines an SES performance plan as "the description of the agency's methods which integrate performance, pay and awards systems with its basic management functions for the purpose of improving individual and *organizational*

effectiveness in the accomplishment of its mission and goals."[21] (Italics added) A critical performance element is defined as "a component of a position consisting of one or more duties and responsibilities which contributes toward accomplishing *organizational goals and objectives*…."[22] (Italics added) The CFR requires that "Accomplishment of organizational objectives must be included in performance plans by incorporating objectives, goals, program plans, work plans, or by other similar means that account for program results."[23] 5 USC and 5 CFR require that "each SES appraisal system shall provide for at least three and no more than five summary rating levels. The rating levels must include an 'Unsatisfactory' level, a 'Minimally Satisfactory' level and a 'Fully Successful ' level." While the basic requirement is three rating levels, many agencies, including DOC, have chosen to adopt five rating level systems. [24] The result in many organizations is debating the fine distinctions between the top two rating levels rather than focusing on organizational and individual objectives.

The Department of Commerce Executive Personnel Policy Manual (EPPM) implements within DOC the statutory and regulatory requirements pertaining to the SES. A Table of Statutes, Federal Regulations and Commerce Requirements was developed to crosswalk the SES rules from the statute through the Code of Federal Regulations to the EPPM[25].

These are value-added DOC policies related to linking SES plans to organizational goals. The EPPM states that the DOC SES appraisal process is to be used "to communicate organizational goals, reinforce senior executive accountability for those goals, and track and evaluate individual and organizational results." It goes on to state that " if (an) element relates to a Secretarial level objective, it must be designated … as critical and as being tracked at the departmental level." It also requires that "organizational objectives must be included in performance plans by incorporating objectives, goals, program plans, work plans, or by other similar means that account for program results." [26] There are other references in the DOC policy linking the executive appraisal process to agency performance objectives and results. The theme of executive responsibility for achieving agency, as well as individual, objectives is consistently repeated from its origins in statute through government-wide regulations to Commerce policy. The relationship between executive performance and an agency's program results is more explicitly stated in the CFR than in the EPPM. Therefore, it

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21. 5 CFR, Subpart C , 430.303
22. Ibid
23. 5 CFR , Subpart C, 430.304 (d)(2)
24. 5 U.S.C., Chapter 43, Subchapter II and 5 CFR, Subpart C, 430.304, (e)
25 Table of statutes and regulations is at Attachment 3.

can be assumed that there is a government-wide interest in strengthening the linkages between SES performance plans and an agency's overall goals and objectives.

Additionally, the office of Personnel Management (OPM) has taken two actions within the past year that amplify this overarching interest in linking results to executive appointments and performance appraisals. Last September OPM revised the government's Executive Core Qualifications (ECQ) to reflect new research on the current traits of successful executives in the public and private sectors. The new ECQ's are: leading change, leading people, *results driven* (italics added), business acumen and building coalitions/communication. According to an OPM official the Executive Qualifications, "results driven" stresses accountability and continuous improvement. It includes the ability to make timely and effective decisions and produce results through strategic planning and the implementation and evaluation of programs and policies.

Earlier this year, OPM circulated for comment "An Outline of OPM's Proposed Framework for Improving the Senior Executive Service". [27] OPM'S Director, Janice Lachance has stated that she wants to modify performance management systems to increase their usefulness in establishing individual and organizational accountability. She believes a culture change is needed on the part of agency management and senior executives that focuses on managing performance in a positive way, rather than negatively, and emphasizes results rather than process. With the current, renewed emphasis on accountability for achieving results, she wants to make it easier for agencies to accomplish this goal in a "fair but forceful way."

Among other significant changes, the Framework proposes to "retool performance management systems to facilitate their usefulness in establishing individual and organizational accountability." It is proposed that the government "strengthen systems for holding executives accountable for producing results, for rewarding those who are successful, and for removing those who are not (and) enhance rewards as a balance to increased risk". To achieve these objectives, the present system, among other things, would be modified to:

1. Emphasize results (the communication and evaluation of performance expectations) over process.
2. Increase bonus limits up to 30 percent of base pay; eliminate the minimum percentage and the requirement for bonus pools.

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27 Outline of OPM's Proposed Framework for Improving the senior Executive Service, U.S. Office of Personnel Management, Appendix C.

3. Enhance executive pay by delinking it from the Executive Schedule, raising the aggregate limit up to the Vice President's salary and consider making more of base pay subject to performance considerations.

OPM officials have stated that realistically they don't expect the Framework to move beyond the proposal stage to actual legislative initiatives. They do believe, however, that there is a great deal of room in the current law to allow closer linkages between agency strategic goals and executive performance plans, and they will be encouraging agencies to exploit these flexibilities through their own administrative initiatives.[28]

B. Government-Wide Best Practices And Comparisons

1. GAO Studies

Given the relatively short period of time in which to seek best practices, the study team reviewed relatively recent existing studies that expended a good deal of time and energy exploring the government sector for best practices in linking individual performance to an organization's goals and objectives.

GAO, which has been at the forefront of examining agencies various levels of success with GPRA implementation, has emphasized the great importance of involving agency management in this endeavor. "Top leadership - both political and career - needs to make clear its commitment to the fundamental principles of results-oriented management and ensure that managers and staff at all levels recognize that they must do the same."[29] GAO also found that "Successful organizations we studied defined their missions clearly and communicated them to their employees - particularly to their managers - so that each one would understand his or her contribution. At both the organizational and managerial levels, accountability requires results-oriented goals and appropriate performance measures through which to gauge progress".[30]

GAO recently conducted a review of GPRA related work, which specifically examines the linkages between agency goals and employee performance. It is highly relevant to this DOC study. The pilots operated during fiscal years 1994 through 1996 and tested performance measurement and preparation of annual performance plans and reports. When these initial pilot projects concluded at the

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28 OPM has issued guidelines on existing SES flexibilities. See Appendix D.
29. Ibid, p. 41
30. Performance Management: Aligning Employee Performance With Agency Goals at Six Results Act Pilots, September 4, 1998, GAO

end of fiscal year 1996, participants included 68 pilot projects representing 28 federal agencies.

The GAO study concentrated on six agencies that focused on aligning employee performance with agency goals. The six agencies reviewed were: (1) the Army Audit Agency (AAA); (2) the Army Research Laboratory (ARL); (3) the Department of Energy's Federal Energy Technology Center (FETC) in Morgantown, WV; (4) the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce; (5) the Small Business Administration (SBA); and (6) the Department of Veterans Affairs' (VA) New York Regional Office (NYRO) in New York, NY.

GAO found:
- **a.** All six agencies attempted to align their employee performance management systems with organizational missions and goals.
- **b.** Four agencies focused on managers, because they were seen as most responsible for the business of the organization and for implementing change among its employees
- **c.** Two addressed their programs to all employees relying on Total Quality Management (TQM) principles as a guide and organizing employees into self-directed work teams.
- **d.** Linking agency goals to individual performance plans was commonly, although not uniformly, done in the four agencies where managers were the focus of their agencies' performance management efforts.
- **e.** The four pilot projects focused on managers commonly held them accountable for results through a system of expectation setting and evaluation by their superiors.
- **f.** All six pilot agencies considered their approaches worth pursuing further; each continued to refine or expand upon efforts to align performance management with organizational missions and goals after the pilot project phase ended.
- **g.** The six pilot projects faced several common issues or challenges:
  - **1.** Identifying the flexibility available to them, although all six found sufficient flexibility to take at least some steps toward aligning their performance management systems with their missions and goals and to address other organizational circumstances or needs.
  - **2.** Including in their performance management approaches appropriate and meaningful goals and performance measures, *i.e.*, the goals and measures for the managers' units or functional areas were the goals

and measures for the managers. Efforts to "cascade" these goals and measures to employees at lower levels varied widely.

3. As the pilots became more performance-based, each found it needed to redirect its organizational culture toward a new understanding of the organization's mission or way of doing business and to secure the buy-in of employees.

4. Recognizing the need for flexibility OPM issued new regulations under 5 C.F.R. 430 in 1995, allowing agencies, with OPM approval, to initiate new performance management approaches for their employees, including pass/fail performance ratings.

5. Of the other four pilot projects we reviewed, only NOAA indicated plans to move to a two-level system. Reasons given were:
   a. Simplification
   b. Lessening the focus on individual performance and encouraging
   c. team performance.
   d. Making it easier to cascade strategic goals down to levels below senior executives.

h. Managers felt more accountable for their performance than they had previously.

i. Some found that employees might try to game the system or might perceive a lack of fairness in its implementation.

j. The number of goals and measures is important; too many strategic goals made it difficult to establish an organizational focus or to create an alignment with the employee performance management system.

k. Some pilot project officials noted the difficulties involved in creating appropriate goals and measures when employees' assignments were expected to take a long time to complete or could not be expected to yield short-term results. The challenge was particularly pertinent to the management of employees involved in research.

2. **Chief Financial Officer's (CFO) Council**

The CFO Council issued a report emphasizing the importance of linking individual performance to organizational goals and objectives. The report stated:

> Link individual employees' performance evaluations and pay with achievement of organizational goals and objectives. Accountability for producing results is one of the major thrusts of GPRA. To accomplish this, appropriate incentive structures must be in place. All employees must be aware of

the goals and objectives of the organization. But to increase the likelihood that the organization will achieve its goals and objectives, we must go beyond employee awareness. Individual employee performance evaluations, and especially incentive pay, should be appropriately tied to the achievement of overall organizational goals and objectives. Giving employees a real stake in achieving their goals and objectives will create an incentive structure that will more likely lead to favorable program results.[31]

A joint work group on the implementation of GPRA sponsored by the Inter-Agency Advisory Group of Federal Personnel Directors and the CFO Council cited several agencies' efforts to improve executive accountability for achievement of agency goals.

Current support for implementing GPRA provides you an excellent opportunity for (improving) accountability in your organization. How are other agencies reacting? Several agencies are starting at the top. At the Department of Veterans Affairs (DVA), performance agreements for selected field and Headquarters executives have been developed to focus on organizational achievements which were defined by a set of system-wide goals. The performance agreements are supported by a performance measurement system that provides baseline and actual performance data. Executives and physicians played a large role in determining the measures and assuring the accuracy of data collection.

Tying the performance agreement language to strategic goals and objectives is also being done at the Department of the Treasury, the Department of the Interior and the Office of Personnel Management. In fact, at both Treasury and Interior, this practice has begun to flow down the organization. Executives in the agencies thought the performance commitments they made as part of their Senior Executive Service performance agreements made so much sense that they required their staffs to prepare similar performance related language for incorporation into employee standards. [32]

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31. Report of the CFO Council's GPRA Implementation Committee, p.9
32. People Achieving Results, Inter-Agency Advisory Group of Federal Personnel Directors and the Chief Financial Officers Council, pp. 11-12

3. Other Federal Agencies

a) Department of Health and Human Services (DHHS), Health Care Financing Administration (HCFA)

HCFA's Strategic Plan has seven broad goals. The HCFA SES Performance Appraisal System has four critical elements, defined as follows:

1. Provide executive leadership, management oversight and direction in serving beneficiaries.
2. Provide executive leadership, management oversight and direction in managing our programs with integrity and excellence.
3. Provide executive leadership in the management of human resources, enhancement of career development and promotion of a favorable work environment for employees, in accord with HCFA's goal to "build a high-quality, customer-focused team."
4. Annual Performance Agreement.

Element four is the linkage between the agency's Strategic and Performance Plans and the individual executive's performance appraisal. Prior to the beginning of the fiscal year, the supervisor in collaboration with the executive develops specific expectations related to the HCFA Strategic Plan. Detailed performance agreements are attached as a separate element. They specifically relate the executive's position responsibilities and goals to the DHHS and HCFA Strategic Plans, HCFA's Annual Performance Plan and the Performance Goals of the director of the particular unit in which the executive works.[33]

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33. Copies of the HCFA executive appraisal form, instructions and sample performance agreements are at Appendix F

b) **Department of Transportation (DOT)**

Of the existing agency SES performance appraisal systems in place that the McManis study team reviewed, the Department of Transportation's (DOT) appears to satisfy many of DOC's objectives for this study. It is the most direct in expressing the linkages between the agencies, easy to understand and presumably apply and has the advantage of being the product of the agency rated the highest by the Congress for the quality of its GPRA Strategic and performance Plans. The DOT system explicitly relates executive accountability to GPRA requirements, has only three rating levels requiring no mathematical computations to derive a summary rating and is laid out in its entirety in a document of 10 pages.[34]

C. Agencies With Legislated Flexibility: Actual And Proposed

1. **Actual**

Some agencies have been granted relief from certain provisions of Title 5, which enables them to experiment with different approaches to executive hiring, placement, compensation and performance appraisal. While its legislation was passed over a year ago, the Federal Aviation Administration (FAA) only recently rolled out its executive appraisal system. It recently announced its proposed Executive Compensation Plan, which is based on pay-for-individual-performance and offers short and long-term incentives for organizational outcomes. In recognition of the importance of executive development, the new system provides each executive up to $5,000 each year to apply toward self-directed professional development. [35]

Recently enacted legislation (the Internal Revenue Restructuring and Reform Act of 1998) will permit The Internal Revenue Service (IRS) to experiment with a broad range of personnel initiatives, including those affecting its executive corps. The law states that "In evaluating an executive's performance…the Secretary of the Treasury shall take into account the executive's contributions toward successful accomplishment of goals and objectives established under the Government Performance and Results Act of 1993."[36] IRS "Restructuring Teams "have just begun the process of developing proposed options for implementing the law.

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34. A copy of the DOT Senior Executive Service Performance Appraisal system is at Appendix F
35. FAA Executive Compensation Plan, August, 1998
36. Internal Revenue Restructuring and Reform Act of 1998, p. 112, STAT. 714

Prior to enactment of the IRS legislation, GAO was asked to comment on the possible implications of the legislation. [37] Much of their testimony presented on March 12, 1998, bears on the issues confronting the Department of Commerce with respect to facing the challenge of positioning itself and its executive cadre to meet the challenges and requirements imposed by the taxpayer's desire for measurable results from its government agencies. Relevant excerpts have been extracted for inclusion in this report.

> GAO stated that the legislative proposals, focusing as they do on customer service and on aligning employees' performance with IRS' mission, goals, and objectives, are in keeping with broad trends that GAO has identified in its previous work on public- and private-sector management. GAO noted that legislation requiring that IRS or any other agency establish a performance management system that focuses employees' efforts on their agency's mission and goals will not, in and of itself, guarantee a shift in organizational culture or in traditional ways of doing business. Consistent with its reviews of agencies' efforts to implement the Government Performance and Results Act, GAO stated that the degree of commitment by IRS' leadership would determine whether a new focus on agency mission could be sustained for the long-term.

> The new performance management system would…require that goals and objectives established through IRS organizational performance planning be linked to individual or group performance and used to make performance distinctions among employees or groups of employees….

> To the extent that the performance management, staffing, and pay flexibility provisions, as implemented, contribute to improved IRS performance, they not only will be worth retaining in IRS, but also may be worthy of emulation elsewhere in the federal government

> Across government, some of the agencies now implementing…(GPRA)…are engaged in similar efforts,

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37. IRS Personnel Flexibilities: An Opportunity to Test New Approaches, Testimony, GAO,/T-GGD-98-78 March 12, 1998

aligning the performance expectations of each level of their organizations, and ultimately of each employee, with the agencies' missions and strategic goals. The Results Act itself was based on principles and best practices established by successful private-sector organizations and by governments at the state and local level and abroad. The challenge for federal agencies such as IRS is to make these principles work for the federal government as well.

…Nothing in current personnel law or regulation prohibits agencies from establishing goals or objectives for employees that are based on organizational goals, communicating these goals and objectives to the employees, and using these goals or objectives to make performance distinctions for purposes of adjustments in pay and other personnel actions.

…But at IRS or any other agency, requiring this focus by legislation will not, in and of itself, guarantee a shift in organizational culture or in traditional ways of doing business. These things will hinge primarily on the long-term commitment of IRS' leadership to making the agency's new direction clear, to changing IRS' organizational culture to support it, and to holding all employees accountable for fulfilling IRS' commitment to the taxpayers.

2. Proposed

Legislation to create Performance Based Organizations (PBO) has been proposed by the Administration over the past couple of years. The PBO premise is that those government functions most like private sector enterprises would perform better and more efficiently if they were freed from many of the personnel, procurement, management and budget constraints most agencies are bound to. In return for this freedom, they would be required to operate like a private sector operation, including making their senior management officials accountable for results.

The then National Performance Review described PBO's as follows:

Performance-Based Organizations (PBOs) are discrete units that commit to clear objectives, specific measurable goals,

customer service standards, and targets for improved performance. Once designated, they would have customized managerial flexibilities and a competitively hired CEO, who would sign an annual performance agreement with the Secretary and have a share of his or her pay depend on the organization's performance. The British, who have extensive experience with this concept, find that such agencies improve performance and cut administrative costs.

In a PBO, policy-making operations and regulatory functions are split from their program operations. The PBO focuses on programmatic operations. Not all government agencies are suited to become a Performance-Based Organization. Operations that do not have clear, measurable results should be excluded. For example, the foreign policy and planning offices in the State Department or basic scientific research offices at the National Institutes for Health may be inappropriate candidates.

To date five federal agencies have been proposed to Congress as candidate PBO's. They are: DOC's U.S. Patent and Trademark Office, DOD's Defense Commissary Agency, DOT's Saint Lawrence Seaway Development Corporation, FAA's air traffic control operations, and, most recently, the Education Department's student financial aid office.

D. PRIVATE SECTOR

A report by the National Academy of Public Administration's Center for Human Resources management made a number of observations on results oriented performance appraisal.[38]

Leading corporations such as General Electric and AT&T have adopted performance measurement systems that consider values other than results in order to ensure that emphasis is given to building customer value and growing the human capital that is vital to achieving future results. Measurement values such as teamwork, customer orientation, continuous learning and self-development, and communication and interpersonal relations, are often included in performance measurement systems to ensure that the workforce is attending to those areas that are leading indicators of

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38. Measuring Results: Successful Human Resources Management, August 1997, National Academy of Public Administration

future success. While the Results Act is a driving force toward a results-oriented focus, there is a compelling argument that results will not be achieved, over time, unless a significant emphasis is also given to the manner in which results are achieved. The proper balance depends on the organization.

Achieving strategic goals requires that employees be focused on outputs and outcomes necessary for successful execution of strategies to achieve organizational goals. This is a difficult process, and one that requires harmony between performance management systems, management performance, and strategic plans.

1. Fannie Mae

For many years the Fannie Mae Corporation has focused on goal setting for the organization and building those goals into their executive performance plans. The Corporation's Strategic Plan sets forth a few broad, overarching goals and covers a three year period subject to modifications as circumstances warrant.

Objectives are derived from the Plan, refined into more detailed goals and assigned to the responsible executives' performance plans with specific individual objectives that support the broader goals articulated in the Strategic Plan. These objectives are considered "high level" goals and are the subject of quarterly "Business Review" meetings conducted by top Corporate management with the executives of the various organizations. The object of these meetings is to report on the status of the various objectives, reaffirm their importance, clarify any misunderstandings that arise during the group discussion and ascertain how well attainment of the organizational goals is progressing, and whether assistance or modifications are necessary.

In addition to the organization's goals, executives also include "personal" goals in their individual performance plans. These goals relate to organizational objectives specific to the executive's own organization and individual business-related activities such as development. Formal meetings are conducted biannually to assess progress on these performance elements and determine whether any adjustments are appropriate.

It is important to note that although the Corporation has established mechanisms for formal assessment and feedback on performance, they also believe in continuous communications between and among their executive cadre, their supervisors and top management. The importance of ongoing information sharing is part of the Fannie Mae culture

While Fannie Mae strongly believes in holding individuals accountable, it also emphasizes the critical importance of recognizing that "how" an objective is accomplished is as important as "what" is accomplished. For example, an executive may achieve an objective that is timely, of high quality and important to the overall mission of the Corporation. However, the performance will not be considered successful, if, for instance, fellow employees are mistreated in the process, budgets are needlessly overrun, or other Corporation elements suffer as a result.

Finally, Fannie Mae supports training as a means to improving individual skills and recognizing individual performance. They invest heavily in employee development, but expressed concern that with a shrinking work force it is difficult to make time available for their executives to participate in off-site training.

2. Weyerhauser

The Weyerhauser Company has five core strategies to fulfill its vision of being the best forest products company in the world. Among them is "empowering Weyerhauser people. The Human Resources function is expected to support the company's business goals. In the performance management area, individual goals are aligned with the Company's vision and strategies. Essentially, the process is as follows:

1. Improvement initiatives are developed beginning in June

2. Business goals are communicated later in the year. Individual goal statements that support the overall goals and measurement metrics are developed in consultation with the individual employee

3. Supervisors provide ongoing coaching and ensure that resources, skills, and accountability are provided to help individuals achieve their performance goals. Coaching is ongoing informal communication to support individual performance

4. After consultation with higher level management, the supervisors assign a rating

5. Individuals are rewarded on the basis of achieving results against business goals.[39]

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39. Performance Measurement: Best Practices Summary, People Management Resources

D. FOREIGN MODELS

1. Foreign - The British "Next Steps"[40]

The Thatcher government launched "Next Steps" in February 1988. The reforms were shaped by the government's desire to implement the vision of a transformed public sector in which services are provided through markets or market-like arrangements. They are managed by persons with the resources and authority to provide the services for which they are accountable and streamline the central government.

Managers know in advance the performance expected of them and that results would be assessed in terms of agreed upon targets. To meet their new responsibilities, managers are free to decide whom to hire and how much to pay them. They also have broad discretion to spend on particular items within agreed budgets.

The CEO is personally responsible to the relevant minister for agency performance. A percentage of the CEO's salary is linked to achievement of targets. About two-thirds of the CEOs are recruited via open competition; one-third have come from outside the civil service. Advisory Boards, established between each department and its agencies and staffed by representatives from each plus a number of outsiders, advise the CEO, monitor agency activities, and setting performance targets.

Agencies negotiate framework documents with their parent departments, are reviewed at three- to five-year intervals or during major shifts in a policy environment. Strategic plans, annual business plans, and annual performance and financial reporting are intended to encourage agencies to prepare for the changes it expects to implement over the medium term and organize work to accomplish the planned changes.

The evidence points to progress in efficiency beyond performance targets, mostly due to new managerial talent, clearer direction, and framework documents and performance measures. New agencies exude a sense of energy, bringing in new upper and middle-level mangers who, while frequently griping about interference from lingering departmental micromanagement, want to be in control of their agencies' performance. The very fact that they complain about rule-bound constraints is seen as an indication that attitudes have changed.

l. GAO Report On Next Steps

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40. This description is based upon the January 11, 1996 presentation of Mr. Jeremy Cowper on Next Steps before National Performance Review (NPR) and the Office of Management and Budget (OMB) staff.

McManis Associates, Inc.

The GAO reported to Congress on the Next Steps initiative, so it would have more information at its disposal as it considered proposals to establish PBO's in the United States [41]. In summary, the GAO reported:

The British government has confronted some difficult and continuing issues Congress may want to consider as it considers the PBO concept. These are:

First, a lack of clarity in the relationship between agencies and their parent departments.
The British have found that the roles of the Next Steps agencies and their parent departments often remain unclear because of the problems inherent in trying to delineate responsibilities. Management decisions made by Next Steps agencies can have an impact on policy choices made by their departments.

Second, an uncertainty concerning who is accountable for performance.
Lack of clarity in roles between agencies and departments affects accountability. It is sometimes difficult to tell if a poor result was due to poor policy or inadequate implementation of that policy.

Third, difficulties in developing and setting performance goals.
British evaluations identified three areas of concern regarding performance measurement. First, goal setting does not always reflect what is realistic as much as adding incremental improvements to prior results. Second, it can be difficult to determine exactly what to measure. And third, it is important to ensure that performance information is put in a proper context and used to improve performance.

E. SUCCESSION PLANNING

Numerous studies and experience have demonstrated that successful organizations, whether they are in the public or private sector, have effective leaders who possess the skills and ability to create positive changes to achieve the organization's objectives. Most of these same organizations continually develop their current executives and grow their leaders for tomorrow through effective identification of potential leaders and then recruiting, selecting and developing talented individuals to maximize their executive

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41. Performance-Based Organizations: Lessons Learned From the British Next Steps Initiative, Testimony, General Accounting Office, July 8, 1997

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ability.

According to a recent NAPA study "managing succession is more than fingering a slate of replacements for certain positions. It is a deliberate and systematic effort to **project** leadership requirements, **identify** a pool of high potential candidates, **develop** leadership competencies in those candidates through intentional learning experiences and then **select** leaders from among the pool of leaders".[42]

The NAPA report identifies eight "Benchmark Principles for Managing Succession and Developing Managers":

1. Top organizational leaders are personally involved and deeply committed.
2. Succession management processes are relatively simple and flexible and are integrated with strategic plans to identify and develop leaders who meet evolving organizational needs.
3. Succession programs are owned by the line managers, supported by HR staff, integrated into HR processes and consistent with the organization's culture.
4. A pool of high-potential leaders is identified early and developed, rather than relying on a slate of replacements for current positions.
5. Leader competencies are identified and regularly reviewed/updated; candidates are assessed and developed against those competencies.
6. Reviews to identify high-potential candidates, developmental measures, and assess progress, occur regularly, involving all levels of the organization.
7. Leader development uses three complementary means: varied job assignments, education/training, and self-development.
8. Senior leaders identify developmental goals for individuals, and hold them accountable.

II. Recommendations

A. To improve SES Appraisal Policy Within Current Law and Regulation DOC should:

1. Simplify its SES appraisal system by reducing the number of rating levels so executives and Departmental leadership can shift their attention from the assignment of particular ratings to achieving DOC and individual goals. Eliminating the arithmetic process to calculate ratings would also free the rater and the person being

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42. Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders, August 1997, Center for Human Resources Management, NAPA

rated from a time consuming process that adds very little, if anything, to achieving goals and harmony in the executive workforce. OPM has indicated a willingness to work with agencies in trying new approaches to executive performance appraisals, which otherwise might not specifically conform to their regulations.

2. Consider changing the SES appraisal cycle to allow better integration with strategic and performance plans, *e.g.,* go to calendar year. Another alternative is to seek OPM approval to have a longer appraisal period in conformance with the recertification process (three years). Interim ratings could be given annually to recognize attainment of, and/or significant progress toward, agency objectives.

3. Clearly state that the Secretary/Deputy Secretary will be the approving official for SES appraisals with respect to attainment of DOC goals. Specifically identifying only DOC goals as subject to Secretarial level approval keeps attention on the Department's objectives while alleviating concerns that executives will be appraised by distant officials on other performance elements they view as not directly related to DOC objectives.

4. Have the Secretary/Deputy Secretary exercise authority to recognize executives who excel in achieving DOC goals, *e.g.,* use of Special Achievement Awards, group recognition. There is flexibility in the current law and regulation, which permits the monetary and honorary recognition of those executives who excel in the attainment of organizational objectives. This flexibility should be exercised in a concentrated, judicious manner to encourage DOC executives in all bureaus and at all levels to apply their energy and skills toward high level performance in achieving organizational objectives

5. Adopt proven best practices from other agencies and the private sector:
   a. Appraisal source documents should include relative references from the agency Strategic Plan, Secretary's Performance Agreement with President, business plans, NPR goals, cascading agreements, etc.
   b. Executives should be encouraged to focus on results but also be made aware that how one goes about achieving results is of equal importance to the quality and timeliness of the results themselves.
   c. Designate as few rating levels as is reasonable and will accomplish the purposes of an effective performance appraisal process. Although, as noted in the findings the law and regulations require at least three rating levels, some organizations employ the minimum number. For example, DOT uses "Achieved Results," "Minimally Satisfactory" and "Unsatisfactory". Other agencies are considering seeking OPM's assistance in going to a two rating, "Pass/Fail" system
   d. Adopt best features of the private sector by aligning the planning and appraisal processes, limiting the number of objectives, *e.g.,* six to eight, evaluating executives on accomplishment of organizational and personal

goals and focusing on not only "what" was accomplished but also on "how" goals were achieved, and providing continuous feedback

e. Adopt best practices GAO identified in six agencies conducting GPRA/performance pilots. Two practices were also found in other organizations successful in linking agency and employee goals, and are recommended for DOC - focus on relatively few, specific objectives and make individuals aware how their performance contributes to attaining broader goals through continuous communications

B. In order to maximize the potential of its current and future executive cadre, DOC should:

Launch a Department-wide effort to institute a formal executive development program including the Office of the Secretary and every Bureau. This initiative would capitalize on the current executive workforce, but it would also be a morale builder for high potential GS-15's who aspire to higher positions.

C. In order to ensure effective executive leadership in the future, DOC should develop an executive succession plan.

DOC currently has no formal program for succession planning. The absence of such a program not only leads to management difficulties in the short term, but also places the Department at a disadvantage in effectively moving into the future with a strong capacity to achieve the objectives identified in its strategic plan. Grooming the DOC's executive leadership for the short and long term must be planned and executed as soon as possible. Part of the grooming process should include mobility opportunities for current and future executives to gain the broadest possible perspective to equip them for the many challenges they face and can anticipate as they lead the Department into the first years of the 21st century